98TH CONGRESS
1st Session

SENATE

REPORT
No. 98–52

OVERSIGHT ACTIVITIES

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

A REPORT

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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C., March 31, 1983.

Hon. GEORGE BUSH,
President of the U.S. Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Paragraph 8(b) of Rule XXVI of the Standing Rules of the Senate requires each standing committee of the Senate (with the exception of the Committees on Appropriations and the Budget) to file a report of its oversight activities during the 97th Congress not later than March 31, 1983.

Pursuant to that obligation, I am herewith submitting to you a report of those oversight activities of the Committee on Banking, Housing and Urban Affairs during the 97th Congress.

Sincerely yours,

JAKE GARN, *Chairman.*

JURISDICTION OF THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

DURING THE 97TH CONGRESS

[Extract from Rule XXV of the Standing Rules of the U.S. Senate]

STANDING COMMITTEES

1. The following standing committees shall be appointed at the commencement of each Congress, and shall continue and have the power to act until their successors are appointed, with leave to report by bill or otherwise on matters within their respective jurisdictions:

* * * * * * *

(d)(1) Committee on Banking, Housing, and Urban Affairs, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

1. Banks, banking, and financial institutions.
2. Control of prices of commodities, rents, and services.
3. Deposit insurance.
4. Economic stabilization and defense production.
5. Export and foreign trade promotion.
6. Export controls.
7. Federal monetary policy, including Federal Reserve System.
8. Financial aid to commerce and industry.
9. Issuance and redemption of notes.
10. Money and credit, including currency and coinage.
11. Nursing home construction.
12. Public and private housing (including veterans' housing).
13. Renegotiation of Government contracts.
14. Urban development and urban mass transmit.

(2) Such committee shall also study and review, on a comprehensive basis, matters relating to international economic policy as it affects United States monetary affairs, credit, and financial institutions; economic growth, urban affairs, and credit, and report thereon from time to time.

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APRIL 5, 1983.—Ordered to be printed

Mr. GARN, from the Committee on Banking, Housing, and Urban Affairs, submitted the following

REPORT

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OVERSIGHT ACTIVITIES

OF THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Summary of Activities Originating in the Committee

THE STATE OF THE ECONOMY

At the start of the 97th Congress, the Senate Banking Committee held its first hearing on January 7 and 8, 1981 to discuss the state of the economy.

With the new Congress and a new Administration, it was considered important that very early attention be given to monetary and fiscal policies and other economic issues.

The hearings would serve as an initial step in the process of developing and implementing policies which would help to insure the strength and vitality of the economy.

The Committee invited the Chairman of the Federal Reserve Board and other familiar witnesses from trade associations and the academic world. But in an effort to obtain a broader range in the discussions, many of the witnesses attending were not individuals who would normally testify before a congressional committee, but were people from ordinary walks of life, who would be affected by the economic policies of this Congress and the new Administration.

Discussions between members of the Committee and the various witnesses were on recent monetary and economic developments and some of the key issues sure to arise during 1981 and 1982, the first and second sessions of the 97th Congress.

IRANIAN ASSET SETTLEMENT

On November 4, 1979, the U.S. Embassy in Teheran was taken over by the revolutionary government. The hostage crisis began and was to last fourteen months.

The International Economic Powers Act, which became law in 1977 after being reported out of the Senate Banking Committee, provided the principal statutory authority for the President's actions during the crisis and for the powers assumed to fashion the Iranian asset agreement.

The Banking Committee held oversight hearing on February 19, 1981, not to explore any part of the seizure of U.S. diplomats, but merely to look at the financial arrangements and the part the banks played in those particular negotiations.

Obviously, the banks played a significant role in the hostage drama. They were the principal weapons used against Iran to exert pressure for relief. They were a useful source of contact with moderate Iranian factions interested in a settlement. Moreover, both by accident and by necessity, banks played a key role in fashioning the final settlement.

Since the oversight of the banking system as well as oversight of the International Emergency Economic Powers Act was within the Committee's jurisdiction, members were particularly interested in the testimony from bank representatives regarding their role in the settlement and their perception of the impact of the crisis on the international banking and investment environment in the United States.

CONDUCT OF MONETARY POLICY

Congressional review of economic policies, including monetary policy, is conducted on a coordinated basis pursuant to the Full Employment and Balanced Growth Act of 1978 (P.L. 95-523). The Act requires the Federal Reserve to submit a monetary policy report to the Congress twice annually. The reports are to present a review of recent economic trends, a statement of objectives for growth of money and credit, and an assessment of the relationship of the growth objectives to economic goals set fourth in the Economic Report of the President.

The Senate Banking Committee continued its oversight hearings on monetary policy for the calendar years 1981 and 1982. In the 97th Congress, the emphasis was on the relationship between the Federal Reserve's monetary policy objectives and the new Administration's economic recovery program.

Discussions were centered on growth in the monetary aggregates, interest rates, which were high; the techniques of the Fed in implementing its policies; the health of the nation's financial institutions; new financial instruments; and fiscal policy.

The Committee continued its practice of inviting officials from the regulatory agencies and private economists to assist the members in their deliberations.

Activities during the 97th Congress included:

First Monetary Policy Report for 1981, hearings February 25 and March 4, Senate Report 97-134, June 9, 1981.

Second Monetary Policy Report for 1981, hearings July 22 and 29, Senate Report 97-198, September 30, 1981.

First Monetary Policy Report for 1982, hearings February 11 and 25, Senate Report 97-383, May 5, 1982.

Second Monetary Policy Report for 1982, hearings July 20, 21, and 27, Senate Report 97-663.

COMPETITION AND CONDITIONS IN THE FINANCIAL SYSTEM

During the past 10 years, the financial industry has changed very significantly. Congress has passed numerous consumer protection statutes and other laws affecting the operations and structure of depository institutions, and the economic environment in which financial institutions compete has become increasingly unpredictable. Competition between depository and nondepository institutions has increased, bringing into question the historic differences between such institutions.

In order to review major banking laws enacted in the past several years and to consider the competitive status and financial conditions of institutions within our financial system, the Senate Banking Committee held seven days of oversight hearings on April 28 and May 6, 7, 13, 14, 18, and 19, 1981. These activities afforded the Committee an opportunity to step back and reassess what Congress had already done for organizations in the financial community as the basis for formulating policies, and the scope of the changing economic conditions of the 1980's.

The hearings dealt with a broad range of issues, including the increasing competition between depository and nondepository financial institutions, the deteriorating state of many thrift institutions as a result of their inability to adjust their long-term mortgage portfolios to high and widely fluctuating short-term deposit interest rates, and the need to update statutes to accommodate the changes which had already occurred in the financial marketplace.

During the hearings, the Committee heard from representatives of the banking, thrift, securities, and financial services industries, as well as Federal regulators, consumer groups, and academicians. Special attention during the hearings was given to the condition of the depository institutions, particularly thrift institutions, and on their ability to continue to serve the financial needs of individual and business consumers in the very uncertain economic conditions.

These hearings, which were very well attended by the members of the committee, and were of great interest to the public in general, set in motion events which eventually led to enactment of Public Law 97-320, the Garn-St Germain Depository Institutions Act of 1982.

DEFENSE PRODUCTION ACT AND THE DOMESTIC PRODUCTION OF COBALT

On October 26, 1981, the Senate Banking Committee held a hearing to examine the use of authorities under Title III of the Defense Production Act to stimulate domestic production of cobalt and other commodities in short supply.

This was the first in a series of hearings in which the Committee examined the Defense Production Act and its relationship to the nation's strategic stockpile and to proposals put forth by the Administration for action as outlined for that stockpile.

Presently, the United States is dependent upon foreign imports for over 90 percent of its cobalt needs. This critical material possesses heat-resistant and high strength qualities that are essential to the production of jet engines, electrical equipment, and machine tools.

Witnesses from the regulatory agencies concerned, and from industry representatives, discussed with members of the Committee the effects these shortages could have on the nation's economy and defense capacity, and to explore the possibilities of increasing the domestic production of cobalt through reformed land policies to open up exploration of mineral deposits, tax incentives, and more rational pollution controls. But, more importantly to the Commit-

tee, the possibilities for use of Title III of the Defense Production Act to meet the highest priority needs, whenever it could be an economical way of reducing our dependency on mineral imports, were evaluated.

PROPOSED TRANS-SIBERIAN NATURAL GAS PIPELINE

On November 12, 1981, the Committee held an oversight hearing to discuss the wide range of complex and controversial issues surrounding the building of a major natural gas pipeline from northern Siberia to the heartland of Europe. A strong concern was that this project crossed the threshold of a prudent level of European dependence on Soviet gas and risked making Europe vulnerable to Soviet leverage. Also, the financial benefits to the Soviet Union through hard currency earnings from the sale of the gas would be of considerable importance to their future military and economic planning.

Representatives from the Departments of Defense and Commerce and Members of Congress joined Committee members to address the fact that as well as political and energy vulnerability, there was also a tremendous financial vulnerability. Virtually all of the risks associated with this substantial capital investment would be borne by the Western banks.

At the time of the hearing, an Under Secretary of the State Department and an interagency team were just returning from Europe after consultations with our allies on this subject.

The construction of this project has continued, as has the interest of the Committee. Subsequently, the Subcommittee on International Finance and Monetary Policy held a further hearing on the pipeline, concerning the use of forced labor—what for all practical purpose is slave labor—in the construction of the pipeline.

ECONOMIC CONDITIONS IN THE SPECIALITY STEEL INDUSTRY

The United States' specialty steel industry is recognized as a highly competitive American industry essential to the national economy and defense. Yet, because of increasing competition from government-owned or subsidized foreign producers in the American marketplace, the industry faces a critical challenge. Imported speciality steel, using unfair trade practices, is taking a rapidly growing share of the domestic market. This is causing severe injury to American producers, increasing worker layoffs, and threatening the future of the industry.

The Senate Banking Committee journeyed to Brackenridge, Pennsylvania to hold a field hearing on January 5, 1982, to learn firsthand what impact increased imports were having on the industry and on employment, and to determine what kind of action, both public and private, would best meet the challenge of these subsidized imports.

Witnesses attending the hearing included representatives from the U.S. Trade Representative's Office, the United Steelworkers Union, and industry executives.

The hearing was successful in that it documented the problems the industry faces despite the efforts of the Commerce Department and the filing of a "Section 301 case" with the Office of the United States Trade Representative.

Soon after the hearing, when Congress convened, legislation was introduced to help toughen our laws to aid import-impacted industries.

POLISH DEBT

Even prior to the December 13, 1981 imposition of martial law in Poland and the beginning of the crisis which still prevails in that country, the Polish Government could not pay its debts on schedule. On February 23, 1982 the Senate Banking Committee scheduled a hearing and received testimony from a distinguished panel of witnesses to discuss the issue of default and a numbers of other questions concerning Poland's political and financial future.

At the time of the hearing Poland owed approximately $26 billion to the western countries. The 16 major official creditors agreed in April 1981 to reschedule those debts due in 1981. Insistence that Poland repay this debt to the West continues to provide a pressure point for Western governments in pursuing political and economic aims in Poland and, indirectly, in the Soviet Union.

This policy had been questioned in the press and by some members of Congress. Many seemed to believe that we could exert more pressure by declaring Polish loans in default immediately.

The oversight hearing helped to clear up some of the misunderstanding and confusion on this critical issue, both insofar as East-West relationships were concerned, but also insofar as our relationships with our European allies were concerned.

TOSCO LOAN GUARANTEE PROPOSAL

With the passage of the Energy Security Act and the necessary appropriations under the authorities of the Defense Production Act and the Federal Nonnuclear Energy Research and Development Act, the Congress provided a mandate to push forward with a national synfuels capability.

The Committee's responsibilities under the Defense Production Act of 1950, as amended, led it to examine the various aspects of a loan guarantee contract signed by the Department of Energy and the Oil Shale Corporation, a subsidiary of Tosco Corporation for the Colony Project, a proposal to convert oil shale into high grade defense fuel for purchase by the Department of Defense.

At a hearing held on October 7, 1981, to hear testimony from parties to the agreement and other witnesses interested in the loan guarantees, members of the Committee discussed the merits of the particular transaction and Government loan guarantees generally.

On October 15, 1981, after a short debate, the Senate voted to approve the loan guarantee contract. The contract was executed, the Department of Energy issued loan guarantees for the project, and Tosco borrowed approximately $78 million through the Federal Financing Bank, and Tosco and Exxon began construction on the

Colony Project. The Synfuels Corporation became operational and then voted to assume the contract from the Department of Energy.

On May 2, 1982, however, Exxon announced that it was discontinuing the Colony Project because it was no longer economically feasible. In keeping with the terms of its agreement with Tosco, Exxon purchased, on June 22, 1982, all of Tosco's 40% interest in the project for $382 million. On the same date, Tosco repaid in full to the Synfuels Corporation the $78,357,485.69 it had received in drawdowns for the Colony Project. In summary, the Senate approved the Colony Project, Tosco signed contracts with the Department of Energy for the loan guarantees, and drewdown approximately $70 million, but repaid the drawdowns in full when the project was cancelled. Tosco is no longer indebted to the Federal Financing Bank, the Synfuels Corporation, or the Department of Energy in any amount for the Colony Project.

FAILURE OF PENN SQUARE BANK

During the 97th Congress there were numerous supervisory mergers and many failures of depository institutions, but none quite like the failure of the Penn Square Bank of Oklahoma City. The considerable size of the bank, and the unusual circumstances surrounding its deterioration and failure, had been the subject of discussions in Washington and throughout the nation. Discussions concerning the condition of the financial system and the supervisory structure designed to ensure its safety and soundness.

Public confidence in the banking system was shaken, institutions with correspondent relationships with Penn Square experienced severe losses, and uncertainty was generated in financial markets.

After the initial impact of the failure and after the regulatory agencies had finished establishing their salvage operations and their preliminary investigations it was decided that the Senate Banking Committee would hold a public hearing on the problem. The bank failed in July 1982, and the committee, after ascertaining that the situtation was under control, conducted a hearing on December 10, 1982 to provide its members a forum in which to review for themselves the causes, effects and implications of the bank's insolvency and liquidation.

The committee invited a distinguished panel of regulators—from the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the National Credit Union Administration and the Federal Home Loan Board—to testify on the particular issue.

It was hoped that the hearing would assist everyone in discovering what lessons had been learned from the incident, and how those lessons could be applied to improve the health of the nation's financial system in the future.

Oversight Activities Originating in the Subcommittee on Housing and Urban Affairs

FEDERAL ROLE IN CONVENTIONAL HOME FINANCING

Early 1981 found the nation in the midst of a serious housing crisis. Interest rates had risen to all-time highs and predictions for the future were very pessimistic. Conventional housing activity had stagnated. Headlines in the newspapers dwelt on the precarious positions of the savings and loan industry, with earnings of the thrifts dropping to new lows.

It was during this period that the Housing and Urban Affairs Subcommittee held its first oversight hearing of the 97th Congress on the current status of home finance, particularly alternative mortgage instruments and the role and status of the secondary mortgage market.

The hearing, held on April 7, 1981, was well attended. Subcommittee members and 8 expert witnesses from both the public and private sectors explored the federal government's past policies and their implications for the future.

Over the past 50 years there had been an expanding federal role in home finance, first with FHA, then with the development of new mortgage instrument programs, secondary financing markets, and alternative mortgage instruments. Each problem confronted in home finance had been the source of new federal initiatives, not necessarily within the framework of a consistent policy. Proposals to coordinate and make these programs more effective were the principal topic of this first oversight hearing on housing in the 97th Congress.

FISCAL YEAR 1983 HUD AUTHORIZATIONS

On March 30, 1982, the Housing and Urban Affairs Subcommittee continued its oversight hearing on the annual reauthorization process for the Department of Housing and Urban Development and had as its principal witness the Secretary of Housing and Urban Development. The Secretary, followed by two representatives of small and large public housing authorities, joined members of the Subcommittee in exploring new approaches to housing assistance for the poor which would allow the Congress to work in harmony with the Administration in continuing to help those without sufficient personal resources to find safe and healthful shelter, with minimum cost to the taxpayer.

The fiscal year 1982 housing legislation, enacted a year earlier, had done much to streamline and control the cost of existing programs, but still had not fulfilled the promise of finding solutions to the operational problems which had nagged the public housing programs for the last decade.

The discussion underscored the fact that the nation already had a valuable stock of existing housing which could be preserved and recycled through rehabilitation. The debate generated other imaginative proposals, many of which were contained in legislation introduced a few days after the hearing.

Oversight Activities Originating in the Subcommittee on International Finance and Monetary Policy

INTERNATIONAL AFFAIRS FUNCTIONS OF THE TREASURY DEPARTMENT AND EXPORT ADMINISTRATION ACT

The Subcommittee on International Finance and Monetary Policy held a hearing on April 30, 1981 to review the international affairs functions of the Treasury Department and the Export Administration Act, in order to gather the information necessary to reauthorize these two operations.

The Subcommittee heard testimony from representatives of the Administration and the General Accounting Office, and planned to hold further hearings later in the year when the nomination process was completed.

Discussions included the international position of the dollar. Since the present Administration had enunciated a new policy of non-intervention in currency markets to let the market work its will, members were interested in getting the details and parameters of that new strategy.

Also of interest were the negotiations to reduce export credit subsidies. It was agreed that the current international export arrangement in the OECD was not adequate. Making a contingency fund available to the Export-Import Bank for its use in matching aggressive export credit offers by U.S. trade competitors was one of the major proposals.

Another topic of interest to the Members was testimony regarding Soviet diversion of U.S. and other Western goods and technology for military purposes.

Later in the 97th Congress, the Subcommittee continued its oversight on this issue of great importance to our national security.

U.S. TRADE POLICY

With the passing and implementation of the Trade Acts of 1974 and 1979, the Congress defined the nation's general trade policy and delegated authority to the Executive to implement it.

Continuing its oversight on this issue, the Subcommittee on International Finance and Monetary Policy joined the Subcommittee on International Trade of the Committee on Finance to hold hearings to assess the progress the Administration had made in formulating its trade policy and to evaluate it against the standards set by Congress in the existing legislation.

The extensive hearings were held on July 8, 9, 13 and 28, 1981, and were closely attended by many of the members of the two Subcommittees. Expert witnesses included Members of Congress, Members of the Cabinet, and leaders from labor and business.

Discussions at the hearings included the basic principles which should underline our trade policy, directions in which U.S. trade policy might move, and considerations that policymakers might note, as well as some ways in which trade policy structure and execution could be improved.

It was agreed that the United States is increasingly challenged not only by the ability of other countries to produce highly competitive products, but also by the growing intervention in economic affairs on the part of governments in such countries. The United States should be prepared to accept the competitive challenge and strongly oppose trade distorting interventions by foreign governments.

Among measures strongly supported by witnesses from both the public and private sectors was legislation authorizing the establishment of export trading companies. Such legislation was later reported out of the Senate Banking Committee and enacted into law just before the close of the 97th Congress.

FOREIGN BARRIERS TO U.S. TRADE

On November 9, 1981, the Subcommittee on International Finance and Monetary Policy held the first in a series of hearings on foreign barriers to U.S. trade. The main barrier to world trade is protectionism. There is some American protectionism, but the bigger problem is the protectionism practiced by our trading partners in the form of non-tariff measures, subsidies, performance requirements, and other such trade-distorting policies.

One purpose of the oversight hearings was to establish, in the record, the extent of foreign barriers to our exports and to give our negotiators some ammunition to combat such barriers. The Subcommittee focused on the data processing, banking, and insurance industries on the first day. But it quickly became evident that the problem of unfair and discriminatory trade practices extended across the entire range of U.S. service exports.

Congress recognized that this problem existed as early as 1974 when it passed the Trade Act of 1974. The International Banking Act of 1978, which emanated from this Committee, also called for a study of foreign treatment of U.S. banks abroad.

The second part of the oversight hearings was held on March 4, 1982 to look at merchandise trade and to see what could be done to enhance the openness of the world market in that area. The focus was on Japan, since Japan is one of our largest trading partners and is also the country that gives our exporters the greatest frustration.

The problems exporters face in Japan, as explained by witnesses at the hearing, are particularly difficult to pinpoint because they involve subtle forms of administrative guidance or distribution systems which are so complex and interwoven that it is almost impossible for an outsider to penetrate.

But the record showed that there were problems all over the world to a varying degree. A substantial number of industry groups and individuals appealed to the members of the Subcommittee to help change the attitudes of our trading partners through negotiation and legislation.

EAST-WEST TRADE AND TECHNOLOGY TRANSFER

The United States and its Allies traditionally have relied on the technological superiority of their weapons to preserve a credible counterforce to the quantitative superiority of the Warsaw Pact. But that technical superiority is eroding as the Soviet Union and its Allies introduced more and more sophisticated weaponry—weapons that all too often are manufactured with the direct help of Western technology. Stopping the Soviets' extensive acquisition of military-related Western technology—in ways that are both effective and appropriate in our open society—is one of the most complex and urgent issues facing the Free World today.

To continue its oversight on export controls, the Subcommittee on International Finance and Monetary Policy held a hearing on April 14, 1982 to examine East-West trade and technology transfer.

Witnesses attending the hearing were from the Departments of Defense, Commerce, and State, also from the FBI. With members of the Subcommittee, they discussed a number of important questions concerning Soviet attempts to overturn the military balance through East-West technology transfer.

The one international mechanism for restricting technology transfers is the Paris-based coordinating committee, or COCOM. The Administration's witnesses promised to renew their efforts to strengthen the strategic purpose and will of this informal organization which comprises the NATO countries—minus Iceland—plus Japan.

Other questions dealt with how our allies' export controls differ from our own, and whether there are any particular problems in gaining cooperation from non-COCOM countries.

HUMAN RIGHTS CONSEQUENCES OF THE PROPOSED TRANS-SIBERIAN NATURAL GAS PIPELINE

The International Finance and Monetary Policy Subcommittee and the full Banking Committee held numerous oversight hearings on East-West trade during the 97th Congress. Many of the discussions centered on the proposed Trans-Siberian natural gas pipeline, also known as the Yamal pipeline. From these hearings members of the Committee learned of the overextension of credits to the Soviet bloc which had threatened the stability of the financial structure of the West. Witnesses had testified that the Soviet defense budget depended heavily on Western credits and Western technology.

On Friday, June 18, 1982, the Subcommittee held a hearing to focus on the human rights consequences of the detente relationship with the Soviet bloc and, in particular, to explore allegations that the Soviet Union was beginning to make massive use of forced labor—slave labor—in the construction of the pipeline.

Witnesses from the Soviet Union, Vietnam, and Poland testified that the vast majority of laborers doing the heavy, dangerous jobs involved in constructing the pipeline will either come from the Gulag Archipelago—the network of over 2,000 prison camps throughout the Soviet Union—or from the "re-education" camps in what was formerly South Vietnam.

The Vietnamese labor is to be used as partial repayment for the assistance that the Soviet government provided the Communist government of Vietnam in its conquests of South Vietnam and Cambodia.

Those attending the hearings received a first-hand account of the grim existence of conscript laborers in the communist prison camps.

SUBSIDIZED EXPORT FINANCING

On July 12, 1982, the Secretary of the Treasury announced his decision not to extend section 1912 Export-Import Bank support to the Budd Company in its efforts to sell aluminum rail cars to the New York Metropolitan Transit Authority.

Consequently, instead of the Export-Import Bank of the United States providing equivalent financing for Budd to match the 9.7 percent Canadian government financing to Bombardier Company of Montreal, the contract, valued at $665 million, was awarded to the Canadian firm.

The Subcommittee on International Finance and Monetary Policy held an oversight hearing on July 22, 1982 to examine the problem of foreign subsidized export credit in our own domestic marketplace. In the course of the hearing, members of the Subcommittee and witnesses from labor, industry, and government discussed the need for the Export-Import Bank to provide competitive financing to American companies threatened by the predatory trade financing practices of America's foreign trade competitors. Representatives from the Treasury Department promised to continue their efforts to tighten the international rules designed to reduce and eliminate export credit subsidies.

These export credit subsidies burden taxpayers in every major trading nation. That is why, since 1978, the U.S. Government has been negotiating within the OECD to reach a multilateral agreement ending cut-rate and cutthroat export credit competition. The aim has been to set new market-related minimum interest rates for government-supported export credits and to end predatory export financing practices.

EXPORT-IMPORT BANK PROGRAMS AND POLICIES

On September 14 and 16, 1982 the Subcommittee on International Finance and Monetary Policy held two days of indepth hearings on the performance of the Export-Import Bank of the United States over the preceding fiscal year. Private witnesses testified on the first day and representatives from the Bank and the Administration participated on the second day.

The subcommittee was inquiring into why the Bank had failed to use nearly $1 billion of direct loan authority granted by Congress, the consequences of this, the other policies of the Bank, the role of the Bank in export strategy, and what changes might be necessary in the Bank's charter when its renewal was considered in 1983.

The Export-Import Bank Act of 1945 spells out in detail the Bank's purposes and authorities. The oversight hearing sought to

examine the degree to which the Bank had fulfilled these purposes and responsibilities by receiving testimony and statements from individuals and organizations most affected by the Bank's activities.

Corporate executives, in their testimony, told of American exporters, regardless of size, not having the financial resources necessary to compete against the substantial export credit subsidies from foreign governments. These subsidies, along with a host of other export promotion tools, enable foreign companies to win exports and export-based jobs away from the United States.

Subsequent to these hearings, on October 18, 1982, the full committee reported Senate Resolution No. 485 (S. Rept. 97-661), with additional views, expressing the sense of the Senate that the Export-Import Bank of the United States shall be given sufficient authority and shall provide competitive financing for American exports.

It was not the intention of the resolution to dictate specific action but rather to indicate strong support for an essential and beneficial federally owned agency, and urge that action be taken to ensure that the Bank will be able to carry out its chartered responsibilities to provide competitive export financing to American exporters threatened by the predatory trade financing practices of America's foreign trade competitors.

AGRICULTURAL EMBARGOS AND THE SANCTITY OF CONTRACTS

During the second session of the 97th Congress there was considerable debate in Congress and in the press on the nature of the Soviet empire and whether the West could, through trade, credits, and other economic means, affect its policy. Much speculation was occuring about the effectiveness of Western leverage over the Soviet Union.

On July 29, 1982 the International Finance and Monetary Policy Subcommittee held a hearing, in which it heard from representatives of the agricultural community, who provided valuable insights on the impact of agricultural embargoes on ourselves and on potential customers throughout the world.

The Subcommittee was considering legislation to amend the law governing agricultural exports, to restrict the President's authority to interfere with valid export contracts.

Everyone at the hearing seemed to agree that the 1980 grain embargo on the Soviet Union did not seem to affect the Soviets as much as it hurt the American farm economy.

The hearing gave the Subcommittee a further opportunity to review the impact and application of the Export Administration Act of 1979 which was passed under the jurisdiction of the Senate Banking Committee.

Witnesses at the hearing offered ample evidence that the U.S. experience with agricultural embargoes has been a negative one. Legislative proposals included the need for a mechanism to restore fairness for American agricultural producers, the restoration of in-

ternational confidence in the U.S. as a reliable source for foreign food grain, and the need for the U.S. Government to honor the sanctity of all agricultural commodity export contracts, except during periods of a declared national emergency or war.

Oversight Activities Originating in the Subcommittee on Consumer Affairs

DELAYED FUNDS AVAILABILITY

Delayed funds availability is a practice employed by some banks, savings and loan associations, credit unions, other depository institutions, and nondepository institutions such as money market funds, whereby the depositor of a check may not withdraw the funds represented by the check for some period of time to assure that funds are available in the depositor's account if the check is returned unpaid.

On March 10, 1982 the Consumer Affairs Subcommittee held an oversight hearing to examine the extent to which depository institutions impose lengthy holds on customer checking deposits, the reasons for the great disparity in the hold policies of those institutions, and alternatives for shortening hold periods without increasing risk of loss from bad checks.

A representative from the Federal Reserve System, bank and savings and loan executives, and the current Vice Chairman of the Conference of Consumer Organizations assisted members of the Subcommittee in reviewing data supplied by various organizations which had been studying this consumer problem.

It was hoped that recommendations could be developed which would help alleviate the situation without resorting to legislation. All who attended the hearing agreed that this was an issue affecting not just individuals but business and industry across the nation.

Final statements of Senators attending the hearing, in consensus, seemed to be suggesting that the industry discipline itself with regard to these practices.

Oversight Activities Originating in the Subcommittee on Securities

DISTURBANCES IN THE U.S. SECURITIES MARKETS

On May 25, 1982, the Securities Subcommittee held a hearing to inquire into a widely publicized controversy over the inability of Drysdale Government Securities, a government securities dealer, to meet substantial interest payments owed to institutions from which it had borrowed securities.

These payment obligations, arising out a large volume of transactions involving many financial dealings and complex relationships, caused considerable disruption in the government securities market.

The Subcommittee invited representatives from the Treasury Department, the Securities and Exchange Commission, and the Federal Reserve Bank of New York to join members in reviewing precisely what occurred, why it occurred, and what the future implications of such harmful activities might be. This preliminary examination would help to illuminate the important issues which had arisen, and provide the Subcommittee with the facts needed to carry out its oversight responsibilities.

On July 12, 1982, the Chairman of the Securities Subcommittee requested that the Federal Reserve Board submit a detailed report on the circumstances surrounding the default of Drysdale. Upon receipt of the report, the Subcommittee sought and obtained the comments of the Treasury Department and the SEC on the Federal Reserve Board's findings.

Oversight Activities Originating in the Subcommittee on Rural Housing and Development

RURAL HOUSING AUTHORIZATIONS

During the 97th Congress the need for budgetary restraint led to every domestic Federal spending program receiving an intensive review process.

The Subcommittee on Rural Housing and Development, being charged with oversight to examine the Federal role in rural housing, held it first field hearings since 1977 by traveling to Las Cruces, New Mexico and Santa Fe, New Mexico on January 14 and 15, 1982.

The Subcommittee went to New Mexico to hear from those who best know the subject—people living in rural areas and familiar with the programs of the Farmers Home Administration. Witnesses attending the hearing were local residents and businessmen, and local representatives of national organizations, and they subjected the Subcommittee to some fairly harsh testimony regarding the administrative problems of the Farmers Home Administration and its local offices.

The comprehensive record of the hearings held in both cities assisted the members of the Subcommittee in determining what is right and wrong in rural housing programs. Discussions at the hearings helped to uncover realistic, practical solutions to some of the problems which, hopefully, might be corrected through careful legislation.

ASSESSMENT OF FARMERS HOME ADMINISTRATION HOUSING PROGRAMS AND RURAL HOUSING BLOCK GRANT PROPOSAL

The field hearings held by the Rural Housing and Development Subcommittee in January, 1982, provided an opportunity to examine many of the problems facing rural areas. The findings and deliberations were supported by further staff research on rural housing programs. On April 13, 1982, the Subcommittee held another oversight hearing at its offices in Washington, D.C., to gain additional information and to determine what constructive changes were necessary to facilitate assistance in these areas of great need.

The Subcommittee was joined by the Administrator of the Farmers Home Administration and representatives of State housing agencies to add new perspectives to the issue confronting rural housing in the nation.

In an attempt to provide a more effective system, legislation had been proposed a create a rural housing block grant to administer all housing subsidy functions and to allow the Farmers Home Administration to make and insure loans at market rates. The New

Federalism concept announced in the first session of the 97th Congress had encouraged everyone to look at the capabilities developed by State governments in recent years. Comments of the witnesses attending the hearing were given careful consideration by members of the Subcommittee.

Another topic of discussion was the recent recommendations of the President's Commission on Housing for rural housing needs.

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